

**TONY KNOWLES**  
GOVERNOR  
*governor@gov.state.ak.us*



**STATE OF ALASKA**  
OFFICE OF THE GOVERNOR  
**JUNEAU**

P.O. Box 110001  
Juneau, Alaska 99801-0001  
(907) 465-3500  
Fax: (907) 465-3532  
*www.gov.state.ak.us*

June 28, 2002

The Honorable Brian Porter  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Speaker Porter:

On this date I have signed with line items vetoes the following bill passed by the second session of the Twenty-second Alaska State Legislature and am transmitting the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

**CONFERENCE CS FOR HOUSE BILL NO. 403**

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; and providing for an effective date."

**Chapter No. 94, SLA 2002**

The FY2003 budget I introduced last December would have held the line on state services by funding non-discretionary cost increases such as debt service and operations for newly constructed facilities, contractual obligations, and replacement of federal or other fund sources no longer available to pay for basic programs. I proposed increasing resources to meet certain goals which I believe Alaskans share: help schools implement our new quality education standards, continue to revitalize the university, improve public safety especially for child protection, address homeland security, tackle the huge burden and cost created by alcohol abuse, and create jobs for Alaskans with strategic investments for economic development.

The legislature's final budget for FY2003 falls far short of these goals. While the legislature did increase funding for K-12 and the university, the amounts were significantly less than I proposed. The university increase did not even keep pace with non-discretionary cost increases, let alone take the next steps forward. Public safety levels will actually decline, again because non-discretionary increases were not fully funded. Child protection got no

additional resources despite compelling justification for additional troopers for child abuse investigations and expansion of community programs to ensure that all reports of harm are pursued. As a result of legislative cuts to public safety and the failure to create an Office of Homeland Security or adopt most of the recommendations of my Disaster Policy Cabinet, Alaskans are less safe today than on September 10, before the terrorism attack on our nation. Gen. Phil Oates, chairman of the Disaster Policy Cabinet, made this testimony to the legislature. Effective alcohol treatment programs were spared the initial devastating cuts when the alcohol tax was increased but they were not expanded despite the obvious financial advantage of reducing future costs such as corrections. And important job-creating programs from fisheries management to permitting to international trade were cut back.

Over and over, the majority justified their cuts to basic services – including road and airport maintenance, parks and public safety and the like – by saying there wasn't enough money to hold the line on these services. But if a lack of money were a reason, why did the appropriations in some areas of the budget exceed next year's needs?

Between the operating and capital budgets, the legislature deposited \$14 million more into the debt retirement fund than is needed for next year's debt payments. There is no legitimate financial reason for the over-appropriation to this account. Furthermore, last minute unannounced manipulation of dates by applying most of this appropriation to the FY2002 budget raises serious questions of appropriate accounting procedures and attempts to trick the public on spending levels. The effect of this is to draw more from the Constitutional Budget Reserve than necessary this year. Therefore, I vetoed two appropriations in the operating budget which were part of this excessive appropriation: \$1,061,400 from the Tobacco Education and Cessation Fund (page 72, lines 10-11); and the balance of the International Trade and Business Endowment which is \$4,417,500 (page 72, lines 17-19). I also vetoed the third element of this over-appropriation that is in the capital budget.

Last year the legislature passed a law creating the Tobacco Education and Cessation Fund directing 20% of the annual tobacco settlement payments into the fund. Last year's budget left over \$2 million in the fund despite the great need for an aggressive anti-smoking campaign, particularly with teenagers. I proposed giving a strong shot in the arm to the anti-smoking effort by adding that unused FY2002 amount to next year's full 20%. Instead, the majority used over \$1 million of tobacco settlement funds to over-stock the debt retirement fund.

The International Trade and Business Endowment was established in statute for the express purpose of providing interest earnings to support economic development opportunities for the sale of Alaska goods and services abroad. Since 1999, the endowment has provided between 10% and 25% of the annual budget for the state's trade activities which have produced many examples of increased business for Alaska companies. Until this year, it has

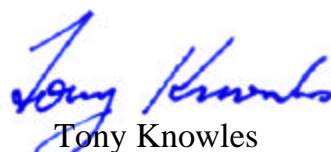
not been touched for anything but its statutorily intended purpose. Ironically, no bills were introduced to repeal or modify the statute creating the endowment. It makes no sense to eliminate the trade endowment simply to sock money away in the debt retirement fund for the FY2004 budget.

Unfortunately, a governor's veto pen cannot correct the serious problems of legislative under-funding even when other areas such as debt are over-funded. Numerous mandated services such as formula programs will require large supplemental appropriations and the legislature has been clearly informed of these deficiencies. And despite the repeated pleas of my administration and the public, the legislature refused to plug gaping holes in their budgets for transportation, parks, public safety and other services. This will force on Alaska's citizens the very cuts we argued against but said would result from the legislature's actions such as closure of the Steese Highway, layoff of more than 40 filled road maintenance positions around the state, and closure of state parks – despite the availability of additional fees to cover parks' costs.

Finally, I would note that under the Alaska Supreme Court's decision in *Alaska Legislative Council v. Knowles*, 21 P.3d 367 (Alaska 2001) a governor may not veto intent or other language even if that language is unconstitutional. Therefore, the fact that these language provisions remain in the bill should not necessarily be construed as agreement with the content. For example, since the courts have clearly stated that the state cannot deny funding for abortions when pregnancy services are funded, my administration will disregard that unconstitutional language even though I cannot veto it.

This year, like many in the recent past, my administration started the session hopeful of finally developing the coming year's budget within the framework of a long-range fiscal plan. And again we were hopeful of working on a budget with the legislature in an open process with full disclosure of the true financial impacts of providing services. I think the public shared these hopes, but they were not fulfilled. I believe that Alaskans deserve more than the shortsighted approach used by recent legislatures to spend billions of public dollars providing services on which Alaskans depend without a long-range fiscal plan.

Sincerely,



Tony Knowles  
Governor